

Message Text

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ACTION EUR-12

INFO OCT-01 EA-06 ISO-00 EURE-00 OPIC-03 AEC-05 AID-05

CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 EB-07 FEAE-00

FPC-01 H-01 INR-07 INT-05 L-02 NSAE-00 NSC-05 OMB-01

PM-03 RSC-01 SAM-01 OES-03 SP-02 SS-15 STR-01 TRSE-00

FRB-03 IO-10 NEA-09 LAB-04 SIL-01 /116 W

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P R 041400Z FEB 75

FM AMEMBASSY ROME

TO SECSTATE WASHDC PRIORITY 9345

INFO AMEMBASSY ANKARA

AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY MADRID

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY STOCKHOLM

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

AMEMBASSY VIENNA

USMISSION EC BRUSSELS

USMISSION OECD PARIS

C O N F I D E N T I A L ROME 1599

E.O. 11652: GDS

TAGS: ENRG, EINV, IT, OECD

SUBJECT: ESTABLISHMENT OF IEA AD HOC GROUP

REF: A. ROME 1518

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B. STATE 023550

C. ROME 1200

D. ROME 892

1. SUMMARY: MFA ENERGY OFFICE CHIEF COSTA STATED THAT GOI DOES NOT YET HAVE OFFICIAL POSITION ON CREATION AD HOC GROUP DESCRIBED REFTEL (B) BUT DOES NOT RPT NOT OPPOSE IN PRINCIPLE. HOWEVER, GOI BELIEVES SUBSTANTIAL JUSTIFICATION NECESSARY FOR CREATION NEW BODY WHICH GOI BELIEVES WILL EMASCULATE SPC. GOI CONCERNS ARE BOTH PROCEDURAL AND SUBSTANTIVE, AND GOI WILL PROBABLY NOT WISH TO COMMIT ITSELF AT FEB 5-7 GOVERNING BOARD (GB) MEETING. IN FACT, GOI PREOCCUPATION WITH DOWNSIDE RISK PROBLEM IS CROWDING OUT TIMELY CONSIDERATION ALL OTHER ISSUES. END SUMMARY.

2. GOI DIFFICULTIES, OTHER THAN LACK OF TIME FOR CONSIDERATION, WITH US PROPOSAL TO ESTABLISH AD HOC GROUP ON INVESTMENT AND FINANCIAL ISSUES FALL INTO TWO CATEGORIES, PROCEDURAL AND SUBSTANTIVE. FORMER APPEAR MORE IMPORTANT:

(A) PROCEDURAL: COSTA CITED APPARENT INCOMPATIBILITY OF PROPOSED AD HOC GROUP WITH EXISTING IEA ACCORD AND STRUCTURE. SPECIFICALLY, GOI CONCERNED THAT CREATION OF AD HOC GROUP, WHICH GOI FEARS WILL BECOME PERMANENT, WILL GUT STANDING GROUP ON PRODUCER/CONSUMER RELATIONS (SPC) LEAVING ONLY RESIDUAL POLITICAL AND PROCEDURAL QUESTIONS WITHIN PURVIEW. IMPACT OF PROPOSED GROUP ON OTHER STANDING GROUPS ALSO OF CONCERN, PARTICULARLY WORK OF STANDING GROUP ON LONG TERM COOPERATION (SLT), AND ELEVATION COORDINATING FUNCTIONS TO GB LEVEL.

(B) SUBSTANTIVE: ACTIVITIES DETAILED IN REFTEL (B), PARTICULARLY PARA 1-B APPEAR, IN COSTA'S (UNOFFICIAL) OPINION, TO EXCEED ORIGINAL SCOPE OF IEA AND INVOLVE AGENCY IN AREAS REQUIRING DETAILED CONSIDERATION AT POLITICAL LEVEL. HE STRESSED THAT THIS WAS INITIAL CONSIDERATION, AND THAT USDEL EXPLANATIONS AT FEB 5-7 GB MEETING WOULD BE MUCH WELCOMED.

3. THIS BEING SAID, COSTA NOTED UNOFFICIALLY THAT GOI WAS NOT RPT NOT OPPOSED IN PRINCIPLE TO CREATION AD HOC GROUP. HE FURTHER EMPHASIZED THAT SUBJECT HAD NOT BEEN TREATED IN DETAIL AT FEB 3 MEETING (REFTEL A) DUE INSUFFICIENT TIME FOR CONFIDENTIAL

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PREPARATION OF MINISTRY POSITIONS AND LACK OF DETAILS ON US PROPOSAL. INFORMALLY, COSTA NOTED MOST LIKELY GOI APPROACH WOULD BE TO LISTEN TO US EXPLANATIONS AT FEB 5-7 GB MEETING, AND THEN EVALUATE PROPOSAL PRIOR TO REACHING DECISION.

4. COMMENT: GOI WARY OF NEW PROPOSAL, PARTLY DUE GENUINE CONCERN WITH SCOPE AND PURPOSE OF PROPOSED GROUP AND PARTLY DUE CONCERN THAT INSUFFICIENT TIME TO FULLY CONSIDER IMPLICATIONS

WILL LEAD ITALIAN DELEGATION TO ENDORSE POSITIONS AND POLICIES IN ADVANCE OF THOSE POLITICALLY AND ECONOMICALLY POSSIBLE IN ITALIAN CONTEXT. THIS SHOULD NOT BE CONSIDERED OBSTRUCTIONISM; GOI BASICALLY SUPPORTS US (REFTEL C NOTAL) BUT WILL OPPOSE CHANGE FOR WHAT APPEARS TO BE THE SAKE OF CHANGE. COSTA AND GOI GENERALLY AWARE OF NEED FOR IEA TO ADAPT TO NEW SITUATIONS AND CHALLENGES, BUT WOULD OBVIOUSLY PREFER TO POUR NEW WINE IN OLD BOTTLES. END COMMENT

5. GOI CONCERN THAT IEA WILL TAKE DECISIONS, PARTICULARLY ON DOWNSIDE RISK ISSUE (REFTELS C, D) INDUCES FURTHER CAUTION, AND TO CERTAIN EXTENT, PROCESS OF WORKING OUT GOI POSITION ON EXPECTED US PROPOSALS IN THIS AREA HAVE PRECLUDED GOI CONSIDERATION OF ALL OTHER ISSUES. ONE MAJOR CONCERN, AS RE-STATED BY COSTA, IS THAT ITALY WOULD BE QUOTE LOCKED IN UNQUOTE BY IEA DECISIONS ON FLOOR PRICE FOR PETROLEUM. COSTA STRESSED THAT ANY SUCH DECISION WOULD SUBSTANTIALLY EXCEED ITALIAN CONCEPTION OF IEA MANDATE, AND REQUIRE CONFIRMATION AT HIGHEST ITALIAN POLITICAL LEVELS, POSSIBLY EVEN SUBMISSION TO PARLIAMENT.

6. COSTA ARGUED THAT QUOTE CONSUMER SOLIDARITY UNQUOTE ALREADY SUBSTANTIALLY ACHIEVED THROUGH CREATION IEA AND ACHIEVEMENTS TO DATE, THUS OBTAINING NEED FOR DETAILED AGREEMENTS ON FLOOR PRICE AND INVESTMENTS IN ALTERNATIVE SOURCES (AT LEAST PRIOR TO PRODUCER/CONSUMER MEETING). ACCORDING TO COSTA, NOT ONLY WOULD FURTHER DETAILS RISK FREEZING POSITIONS PRIOR TO ESTABLISHMENT OF CONDITIONS WARRANTING SUCH ACTION BUT WOULD IN EFFECT PREJUDGE SUBSTANCE AND OUTCOME OF EVENTUAL PRODUCER/CONSUMER DIALOGUE. EMBOFF NOTED THAT NATIONAL SECURITY CONSIDERATIONS REMAIN EVEN IF PRICE FALLS AND STRESSED IMPORTANCE OF CONSUMER CREDIBILITY AND EVIDENCE OF CONSUMER SERIOUSNESS AS KEY FACTORS IN ANY OUTCOME OF PRODUCER/CONSUMER CONFERENCE AND REITERATED NEED FOR SUBSTANTIAL PROGRESS PRIOR TO ANY CONFERENCE. CONFIDENTIAL

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7. COMMENT: REMARKS IN PARA 6 ABOVE PROBABLY PREVIEW GOI POSITION AT FEB 5-7 MEETING. GOI WILL TEND TO OPPOSE MOVES FORECLOSING THE POSSIBILITY, HOWEVER REMOTE (AND COSTA CONCEDES ITS REMOTENESS), THAT ITALY MAY SOMEDAY BENEFIT FROM A SUBSTANTIAL REDUCTION IN THE PRICE OF PETROLEUM. END COMMENT. VOLPE

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